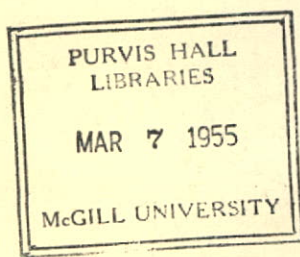


SIMPSONS, LIMITED
AND SUBSIDIARY COMPANIES

**ANNUAL
REPORT**

For the fiscal year ended January 5
1955



SIMPSONS, LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors submit herewith Consolidated Balance Sheet of Simpsons, Limited and Consolidated Subsidiary Companies as at the close of business on January 5, 1955, and Consolidated Statement of Profit and Loss and Earnings Employed in the Business for the fiscal year ended on that date which set forth the financial position of the combined Companies and the result of the operations for the year, with the report of the auditors thereon.

Combined profit from operations and income from investments amounted to \$6,707,944 after providing \$1,380,867 for employees' pensions and contributions to Employees' Savings and Profit Sharing Fund. Provision for interest on debentures, depreciation, income taxes, etc., amounted to \$4,170,782 leaving net profit for the year of \$2,537,162. After adding to this amount the profit of \$320,531 made during the year on the sale of shares held in the Employees' Stock Purchase Plan and the unappropriated earnings employed in the business as at January 6, 1954, and after deducting Common Dividends paid of \$1,500,000 there remained unappropriated earnings employed in the business as at January 5, 1955 of \$31,430,411.

Under date of April 1st the Company exchanged the investment of \$10,000,000 in Simpsons-Sears 4% Debentures for a similar principal amount of Simpsons-Sears Class B Common Shares.

The addition to the Montreal store and the new Lawrence Avenue heavy goods service and delivery building in Toronto, both in course of construction at the beginning of the year, were completed. Expenditures on buildings during the year amounted to \$2,399,780. The only capital expenditures anticipated for the current year are for essential replacements of equipment and fixtures.

Also submitted for your information is Consolidated Balance Sheet of Simpsons-Sears Limited and Consolidated Subsidiary Company as at the close of business January 5, 1955, and Consolidated Statement of Profit and Loss and Earnings Employed in the Business for the fiscal year ended on that date. Due to expenses incurred in new development, including store pre-opening costs, the operations of Simpsons-Sears Limited resulted in a net loss for the year. Important new Simpsons-Sears retail units will be opened in 1955 at Ottawa and Port Arthur, Ontario and at Saint John, New Brunswick.

Your directors wish to express their appreciation of the continued loyalty and efficiency of the officers and members of the staff throughout the year.

On behalf of the Board

E. G. BURTON

President

February 25, 1955

SIMPSONS, LIMITED

AND CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT JANUARY 5, 1955

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$ 911,074	
Government of Canada bonds, at cost (market value \$30,809).....	30,587	
Trade accounts receivable (after making provision for bad and doubtful accounts).....	8,030,525	
Receivable from Simpsons Acceptance Company Limited (balance owing on sale of instalment accounts receivable—see footnote).....	2,450,064	
Inventories valued at the lower of approximate cost or market.....	13,989,363	
		\$25,411,613

PREPAID CHARGES:

Departmental improvements, unexpired insurance premiums and other expenses paid in advance.....	3,246,563
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EMPLOYEES' STOCK PURCHASE PLAN:

Common shares of Simpsons, Limited held by a subsidiary company for sale to employees (carried at nominal value).....	1
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INVESTMENTS, AT COST:

Simpsons Acceptance Company Limited (wholly-owned subsidiary not consolidated—see footnote)—		
Debentures and common shares.....	\$ 1,000,000	
Simpsons-Sears Limited—		
Class B Common Shares.....	20,000,000	
		21,000,000

CAPITAL ASSETS:

Land and buildings at depreciated reproductive values on July 31, 1952 as reported by Canadian Appraisal Company, Limited, plus subsequent additions at cost.....	\$46,015,421	
Equipment and fixtures, at cost.....	13,111,679	
		\$59,127,100
<i>Less</i> —Accumulated depreciation.....	10,141,235	
		48,985,865

APPROVED ON BEHALF OF THE BOARD:

E. G. BURTON *Director*
W. P. SCOTT *Director*

\$98,644,042

NOTE: Simpsons Acceptance Company Limited, a wholly-owned subsidiary, purchases from Simpsons, Limited and its subsidiaries instalment accounts receivable arising in the ordinary course of business. As at January 5, 1955 the instalment accounts receivable held by the Acceptance Company amounted to \$21,580,172 and these accounts were pledged as security for bank borrowings of \$16,100,000; the borrowings do not constitute an obligation of Simpsons, Limited. The Acceptance Company has declared a dividend on its common shares in an amount equal to the net profit for the fiscal year ended January 5, 1955. This dividend has been taken up in the accounts of Simpsons, Limited as at January 5, 1955 and is reflected in the accompanying consolidated statement of profit and loss.

SIMPSONS, LIMITED

AND CONSOLIDATED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT JANUARY 5, 1955

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 7,598,689	
Accrued wages, rent, interest, etc.	1,791,256	
Customers' deposit accounts	2,870,191	
Income and other taxes	1,836,103	
Contribution payable to Employees' Savings and Profit Sharing Fund	187,056	
Sinking fund payment due January 1, 1956 (after deducting par value of debentures purchased and held for sinking fund)	471,700	
		\$14,754,995

DEBENTURES:

4 $\frac{3}{4}$ % Debentures Series "A" maturing January 1, 1973—		
Issued	\$30,000,000	
Redeemed and cancelled	1,000,000	
		\$29,000,000
Less—Sinking fund payment due January 1, 1956 included in current liabilities	500,000	
		28,500,000
		\$43,254,995

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Common shares—		
Authorized—5,000,000 shares without nominal or par value		
Issued—3,000,000 shares		\$ 5,061,314

EARNINGS EMPLOYED IN THE BUSINESS:

Appropriated as reserve against possible decline in inventory values	\$ 1,500,000	
Unappropriated	31,430,411	
		32,930,411

APPRAISED VALUE OF LAND AND BUILDINGS IN EXCESS OF DEPRECIATED BOOK VALUE ON JULY 31, 1952

		17,397,322
		\$55,389,047
		\$98,644,042

AUDITORS' REPORT TO THE SHAREHOLDERS OF SIMPSONS, LIMITED:

We have examined the consolidated balance sheet of Simpsons, Limited and consolidated subsidiary companies as at January 5, 1955 and the consolidated statement of profit and loss and earnings employed in the business for the fiscal year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above consolidated balance sheet and related consolidated statement of profit and loss and earnings employed in the business are properly drawn up so as to exhibit a true and correct view of the state of affairs of the combined companies as at January 5, 1955 and the results of the companies' operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

We report that, in our opinion, the information required under Section 118 of The Companies Act is fairly presented in the note appended to the consolidated balance sheet.

PRICE WATERHOUSE & CO.
Chartered Accountants.

TORONTO, February 17, 1955.

SIMPSONS, LIMITED

AND CONSOLIDATED SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss and Earnings Employed in the Business For the fiscal year ended January 5, 1955

COMBINED PROFIT FROM OPERATIONS:

After deducting all selling and general expenses (except those deducted below) including remuneration amounting in the aggregate to \$400,895 for salaries of executive officers and salaried directors, and fees of solicitors and counsel, and after providing for bad debts but before charging depreciation of buildings and equipment . . . \$ 6,248,019

INCOME FROM INVESTMENTS:

Simpsons Acceptance Company Limited	
Interest on debentures	\$ 25,000
Dividend on common shares	301,197
Other	133,728
	459,925
	\$ 6,707,944

DEDUCT:

Directors' remuneration other than salaries	\$ 39,368
Interest on debentures	1,377,951
Provision for depreciation of buildings and equipment	1,303,463
Provision for income taxes	1,450,000
	4,170,782

NET PROFIT FOR THE FISCAL YEAR \$ 2,537,162

ADD:

Employees' Stock Purchase Plan—profit on sale of shares	320,531
	\$ 2,857,693
Earnings employed in the business at January 6, 1954—unappropriated	30,072,718
	\$32,930,411

DEDUCT:

Dividends on common shares	1,500,000
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EARNINGS EMPLOYED IN THE BUSINESS AT JANUARY 5, 1955—UNAPPROPRIATED \$31,430,411

The profits of Simpsons, Limited and subsidiary companies have been determined after making provision for the following:

Employees' pensions	\$ 1,161,673
Contribution to Employees' Savings and Profit Sharing Fund	219,194
	\$ 1,380,867

NOTE: Additional depreciation allowances, as permitted under Income Tax Regulations, have reduced the provision for income taxes by approximately \$200,000.

SIMPSONS, LIMITED

Directors

CHARLES L. BURTON	DAVID H. GIBSON	WILLIAM P. SCOTT
EDGAR G. BURTON	GORDON M. GRAHAM	JOHN S. D. TORY
G. ALLAN BURTON	CHARLES L. GUNDY	NORMAN C. URQUHART

Officers

<i>Chairman of the Board</i>	CHARLES L. BURTON
<i>President</i>	EDGAR G. BURTON
<i>Vice-President</i>	NORMAN C. URQUHART
<i>Secretary and Treasurer</i>	FRANK HAY

Head Office

45 RICHMOND STREET WEST, TORONTO 1, CANADA

CAPITALIZATION

As at January 5, 1955

Debentures $4\frac{3}{4}\%$ Series "A" maturing January 1, 1973 (See Note)	Authorized	Outstanding
		\$29,000,000
<i>Note</i> —Debentures in addition to the \$30,000,000 principal amount of Series "A" Debentures may be issued without limit as to aggregate principal amount, subject to the restrictions contained in the Trust Indenture under which the $4\frac{3}{4}\%$ Debenture Series "A" due January 1, 1973 were issued.		
Common Shares without nominal or par value	5,000,000 shares	3,000,000 shares

The Trust Indenture in respect of the $4\frac{3}{4}\%$ Debentures Series "A" contains the following restrictions on the payment of dividends on the Common Share Capital of the Company:

- (a) The aggregate amount declared as dividends (other than dividends payable in Capital Stock of the Company) on the Common Share Capital of the Company subsequent to January 8, 1953 will not be more than \$1,000,000 plus the consolidated net profits of the Company and its subsidiaries accrued subsequent to January 2, 1952, less all dividends declared by the Company during the fiscal year ended January 7, 1953.
- (b) The Company will not declare or pay any dividends on its Common Share Capital when the consolidated net current assets of the Company and its subsidiaries are less than \$10,000,000 or when such dividend payment would reduce such net current assets below that amount.

SIMPSONS-SEARS LIMITED

AND CONSOLIDATED SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET AS AT JANUARY 5, 1955

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$	356,343
Government of Canada bonds, at cost (market value \$45,950).....		44,875
Trade accounts receivable (after making provision for bad and doubtful accounts).....		3,407,627
Recoverable income taxes.....		324,936
Inventories valued at the lower of approximate cost or market.....		30,210,904
		\$34,344,685

PREPAID CHARGES:

Departmental improvements, catalogue expenditures, unexpired insurance premiums and other expenses paid in advance.....		4,447,153
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NOTES RECEIVABLE:

On sale of Class A shares of Simpsons-Sears Limited to employees of the Company and to employees of associated companies.....		1,512,332
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INVESTMENTS IN SHARES AND DEBENTURES, AT COST:

Simpsons-Sears Acceptance Company Limited (wholly-owned subsidiary not consolidated— Note 1—Page 11)		
Debentures and common shares.....	\$	2,000,000
Other shares.....		1,808,061
		3,808,061

CAPITAL ASSETS, AT COST:

Land and buildings.....	\$38,396,668	
Equipment and fixtures.....	5,937,839	
	\$44,334,507	
<i>Less</i> —Accumulated depreciation.....	1,412,412	
		42,922,095

OTHER ASSETS:

Mailing lists and goodwill, at cost.....	\$	1,000,000
Unamortized bond discount and expense.....		567,740
		1,567,740
		\$88,602,066

APPROVED ON BEHALF OF THE BOARD:

E. G. BURTON *Director*

G. F. TROTTER *Director*

SIMPSONS-SEARS LIMITED

AND CONSOLIDATED SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET AS AT JANUARY 5, 1955

LIABILITIES

CURRENT LIABILITIES:

Bank loans and overdrafts.....	\$ 4,800,061	
Accounts payable.....	8,833,286	
Payable to Simpsons-Sears Acceptance Company Limited.....	1,379,733	
Accrued wages, interest, etc.....	1,927,285	
Income and other taxes.....	392,253	
Sinking fund payment on First Mortgage Bonds, due April 1, 1955.....	250,000	
		\$17,582,618

NOTE PAYABLE, 5 $\frac{1}{4}$ % due September 30, 1961.....		1,098,676
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FIRST MORTGAGE BONDS:

4 $\frac{3}{4}$ % Series "A" due April 1, 1973—		
Issued.....	\$15,000,000	
Redeemed and cancelled.....	250,000	
		\$14,750,000
Less—Sinking fund payment due April 1, 1955 included in current liabilities.....	250,000	
		\$14,500,000
4 $\frac{1}{2}$ % Series "B" due April 1, 1979.....	12,500,000	

		27,000,000
		282,000

DEFERRED INCOME TAXES: (Note 2—Page 11).....		282,000
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SHAREHOLDERS' EQUITY

CAPITAL STOCK: (Note 3—Page 11)

Authorized—

400,000 Class A shares of no par value
2,000,000 Class B shares of no par value
2,000,000 Class C shares of no par value

Issued—

183,850 Class A shares.....	\$ 1,838,500	
2,000,000 Class B shares.....	20,000,000	
2,000,000 Class C shares.....	20,000,000	

\$41,838,500

EARNINGS EMPLOYED IN THE BUSINESS.....		800,272
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42,638,772

\$88,602,066

AUDITORS' REPORT TO THE SHAREHOLDERS OF SIMPSONS-SEARS LIMITED:

We have examined the consolidated balance sheet of Simpsons-Sears Limited and consolidated subsidiary company as at January 5, 1955 and the consolidated statement of profit and loss and earnings employed in the business for the fiscal year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above consolidated balance sheet and related consolidated statement of profit and loss and earnings employed in the business are properly drawn up so as to exhibit a true and correct view of the state of affairs of the combined companies as at January 5, 1955 and the results of the companies' operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

We report that, in our opinion, the information required under Section 118 of The Companies Act is fairly presented in Note 1 of the accompanying notes to financial statements.

PRICE WATERHOUSE & CO.

Chartered Accountants.

TORONTO, February 17, 1955.

SIMPSONS-SEARS LIMITED

AND CONSOLIDATED SUBSIDIARY COMPANY

Consolidated Statement of Profit and Loss and Earnings Employed in the Business For the fiscal year ended January 5, 1955

COMBINED PROFIT FROM OPERATIONS:

After deducting all selling and general expenses (except those deducted below) including remuneration amounting in the aggregate to \$265,069 for salaries of executive officers and salaried directors, and fees of solicitors and counsel, and after providing for bad debts but before charging depreciation of buildings and equipment . . . \$ 1,095,990

INCOME FROM INVESTMENTS:

Simpsons-Sears Acceptance Company Limited	
Dividend on common shares	\$ 18,079
Other	151,339
	169,418
	\$ 1,265,408

DEDUCT:

Directors' remuneration other than salaries	\$ 24,000
Interest on note and mortgage bonds	1,175,354
Interest on debentures (Note 3—Page 11)	200,439
Amortization of bond discount and expense	39,000
Provision for depreciation of buildings and equipment	882,519
	2,321,312

**LOSS FOR THE FISCAL YEAR, BEFORE ADJUSTMENT OF PRIOR YEAR'S PROVISION
FOR INCOME TAXES**

\$ 1,055,904

DEDUCT:

Decrease in prior year's provision for income taxes as a result of loss carry-back	520,000
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NET LOSS FOR THE FISCAL YEAR

\$ 535,904

Earnings employed in the business at January 6, 1954—unappropriated \$ 878,676

Add:

Amount appropriated in prior year for additional depreciation, less resultant decrease in liability for income taxes (Note 2—Page 11)	457,500
	1,336,176

EARNINGS EMPLOYED IN THE BUSINESS JANUARY 5, 1955

\$ 800,272

The results from operations of Simpsons-Sears Limited and subsidiary companies have been determined after making provision of \$430,406 for employees' pensions.

SIMPSONS-SEARS LIMITED

Directors

CROWDUS BAKER	EDWARD GUDEMAN	GEORGE F. TROTTER
CHARLES L. BURTON	CHARLES L. GUNDY	NORMAN C. URQUHART
EDGAR G. BURTON	THEODORE V. HOUSER	ARTHUR M. WOOD
GORDON M. GRAHAM	WILLIAM P. SCOTT	ROBERT E. WOOD

Officers

<i>President</i>	EDGAR G. BURTON
<i>Vice-President, Mail Order</i>	GORDON M. GRAHAM
<i>Vice-President, Retail</i>	GEORGE F. TROTTER
<i>Vice-President, Merchandising</i>	ROBERT C. GIBSON
<i>Secretary</i>	J. R. O'KELL
<i>Treasurer</i>	J. D. H. HUTCHINSON

Head Office

108 MUTUAL STREET, TORONTO 2, CANADA

CAPITALIZATION as at January 5, 1955

	Authorized	Issued	Outstanding
First Mortgage Bonds.....			
4¾% First Mortgage Bonds Series "A" dated April 1, 1953 and maturing April 1, 1973.....	—	\$15,000,000	\$14,750,000
4½% First Mortgage Bonds Series "B" dated April 1, 1954 and maturing April 1, 1979.....	—	\$12,500,000	\$12,500,000
Class A Common Shares without nominal or par value.....	400,000 shs.	183,850 shs.	183,850 shs.
Class B Common Shares without nominal or par value.....	2,000,000 shs.	2,000,000 shs.	2,000,000 shs.
Class C Common Shares without nominal or par value.....	2,000,000 shs.	2,000,000 shs.	2,000,000 shs.

NOTES TO FINANCIAL STATEMENTS

1. SUBSIDIARY COMPANY NOT CONSOLIDATED:

Simpsons-Sears Acceptance Company Limited, a wholly-owned subsidiary, purchases from Simpsons-Sears Limited instalment accounts receivable arising in the ordinary course of business. As at January 5, 1955 the instalment accounts receivable held by the Acceptance Company amounted to \$30,203,029 and these accounts were pledged as security for bank borrowings of \$27,000,000; the borrowings do not constitute an obligation of Simpsons-Sears Limited. The Acceptance Company has declared a dividend on its common shares in an amount equal to the net profit for the fiscal year ended January 5, 1955. This dividend has been taken up in the accounts of Simpsons-Sears Limited as at January 5, 1955 and is reflected in the consolidated statement of profit and loss.

2. ADDITIONAL DEPRECIATION AND DEFERRED INCOME TAXES:

In view of 1954 amendments to Income Tax Regulations whereby depreciation deductible for tax purposes is no longer restricted to the amounts recorded in the accounts, the appropriation in the prior year for additional depreciation has been eliminated from the accounts.

After making allowance for the carry-back of the loss for the fiscal year ended January 5, 1955, the income tax liability for the prior year was further reduced by \$282,000 through claiming additional depreciation. As this reduction in income taxes is applicable to future periods when depreciation deductible for tax purposes will be less than the depreciation recorded in the accounts, an amount equivalent to the reduction is carried in the balance sheet under the heading "Deferred income taxes"

3. CAPITAL STOCK:

During the fiscal year ended January 5, 1955, 25,650 Class A shares were issued at \$10 per share to employees of Simpsons-Sears Limited and to employees of associated companies. On April 2, 1954, 1,000,000 Class B shares and 1,000,000 Class C shares were issued at \$10 per share against the surrender for cancellation of the \$20,000,000 principal amount of 4% Redeemable Debentures.

